

VZCZCXRO6837
PP RUEHIK RUEHYG
DE RUEHSW #0029/01 0121303
ZNR UUUUU ZZH
P 121303Z JAN 07
FM AMEMBASSY BERN
TO RUEHC/SECSTATE WASHDC PRIORITY 3568
INFO RUEHZG/NATO EU COLLECTIVE PRIORITY
RUEHC/DEPT OF LABOR WASHINGTON DC PRIORITY
RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RHEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 2647

UNCLAS SECTION 01 OF 03 BERN 000029

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STATE FOR E, EUR, H, DS
TREASURY FOR DEPUTY SECRETARY KIMMITT AND U/S TIM ADAMS
DHS FOR SECRETARY CHERTOFF

E.O. 12958: N/A
TAGS: [PREL](#) [ETRD](#) [ASEC](#) [SZ](#)
SUBJECT: SCENESSETTER FOR USG PARTICIPANTS IN THE 2007 WORLD
ECONOMIC FORUM ANNUAL MEETING IN DAVOS

Summary

1.(U) Following is Embassy Bern's scenesetter for participants in the World Economic Forum (WEF) 2007 Annual Meeting in Davos, Switzerland, January 24-28. The first section provides an overview of the Forum, the second section reviews U.S.-Swiss bilateral issues, and the third presents the essentials of the Swiss political system. End summary.

World Economic Forum Annual Meeting in Davos

2.(SBU) The Annual Meeting of the World Economic Forum in Davos is the largest event of its kind in the world, thus offering a useful opportunity for officials to convey the USG message and to hear what leaders from around the world are thinking. Within the WEF, there remains considerable discussion on how to balance the size of the meeting -- intimacy is difficult at 2,200 participants -- with the desire for a broad variety of discussion themes. Also controversial is the extent to which celebrities in the past have overshadowed the more substantive contributions of political, economic, and social leaders. There is plenty of gloss to the WEF, but the more interesting aspects of the meeting are usually to be found among the sober meetings and informal networking available to participants.

3.(U) The Geneva-based World Economic Forum (WEF) is an independent international organization, with a self-proclaimed commitment to "improving the state of the world." It can be thought of as a large think tank with global mobility. The WEF's aim is to be a leader in identifying strategic issues and providing a platform for decision-makers -- from government, business, and the media -- to effect change. WEF meetings are funded by membership fees from about a thousand global companies.

4.(U) The annual January meeting in Davos is the WEF's signature event. The exclusive invitation list includes the leaders of member companies, as well as influential leaders from governments, multilateral organizations, academia, media, and NGOs. The program for the WEF can be compared to an annual professional meeting, with panels, lectures, speeches, and theme dinners. Participants must choose beforehand which program elements they wish to attend. This

year's theme is "the Shifting Power Equation."

5.(U) WEF organizers expect to limit the number of invitees this year to 2,200, down from last year's 3,000, in order to regain its original mission as a small, informal gathering. Even at this size, however, the WEF Annual Meeting in Davos remains the world's largest private gathering of global leaders. Members of the Swiss government participate in WEF meetings, but do not direct the agenda. Swiss security services are deployed to protect the event, however. Security within the Davos Conference Center and select hotels restricts entry to invited WEF guests only, with very limited exceptions for security details. Lodging for non-invitees is scarce and very expensive.

6.(U) The atmosphere of Davos makes the WEF a unique event and provides USG officials with numerous opportunities to advance U.S. foreign policy objectives. Likely attendees to the 2007 WEF include 25 heads of state or government, including UK Prime Minister Blair, German Chancellor Merkel, Brazilian President Lula, Mexican President Calderon, and King Hussein of Jordan. Likely USG cabinet attendees include Energy Secretary Bodman, DHS Secretary Chertoff, Labor Secretary Chao, United States Trade Representative, Susan

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Schwab, and Agriculture Secretary Johanns. Sub-cabinet attendees include Treasury Deputy Secretary Kimmitt and Treasury Under Secretary Adams, and State Under Secretary Sheeran. Likely Congressional attendees include about 10 senators and 5 representatives.

U.S.-Swiss Bilateral Ties

BERN 00000029 002 OF 003

7.(SBU) Switzerland is neither a member of the European Union, nor NATO -- a unique status among major Western European nations. Switzerland's prominent banking sector, advanced technological sector, diplomatic good offices, humanitarian tradition, and status as Protecting Power for the United States in Tehran and Havana make healthy bilateral relations important. The bilateral relationship has been fundamentally strong, but was strained during the past ten years, first due to the Holocaust Assets issue and then Swiss objections to USG policies vis a vis Iraq, Guantanamo, and the broader war on terrorism. Recognizing that a drift in bilateral ties was not in Switzerland's own interest, the Swiss Federal Council (cabinet) decided in May 2005 to enhance cooperation in the political, counter-terrorism/law enforcement, and trade spheres. These efforts resulted in the signing of three agreements in 2006: The Framework Agreement on Enhanced Political Cooperation; the Operative Working Agreement on Counterterrorism Cooperation; and the Trade & Investment Cooperation Forum.

8.(U) Political Cooperation: The Swiss have deployed 200 soldiers to Kosovo, about 20 to Bosnia, and a handful to Afghanistan. The Swiss public's adherence to traditional neutrality, however, has slowed government efforts to double Switzerland's peacekeeping strength. The Swiss and U.S. governments engage in regular consultations to pursue cooperation in areas of key mutual interest. Regions include the Balkans, the Broader Middle East and North Africa (BMENA), Sudan, South & Central Asia, and Latin America. Themes include terrorist finance, counterterrorism, international law, humanitarian disaster relief, Muslim integration, and UN reform. The U.S. and Switzerland have recently co-hosted international conferences on bioterrorism, terrorist finance, and the elimination of plutonium producing plants in Russia. U.S. and Swiss aid workers are looking at joint projects for helping Kosovar and Bosnian societies transform. For Sudan, Swiss and U.S. officials facilitated the north-south peace agreement and security officials are

exploring areas of cooperation on rehabilitating fighters to civilian life. The Swiss are donors toward Foundation for the Future programs to aid civil society in the BMENA region.

9.(U) Counter-terrorism and Law Enforcement: Switzerland has suffered no terrorist attacks, though terrorist organizations appear to have used Swiss territory, banks, and cell phones to provide some logistical support for attacks in New York, Riyadh, Jerba, and Madrid. With EU member states getting tougher on terrorists, there is concern that groups are increasingly attracted to Switzerland as a safe-haven. Following the attacks of September 11, 2001, Switzerland invited the FBI to embed an agent with its Police Counterterrorism Unit. Law Enforcement cooperation remains nascent, however, as Swiss legal restrictions and practice limit the information they share to that with a specific U.S. nexus. An upgraded Operative Working Agreement to be presented to Parliament in March 2007 should allow joint investigations under limited conditions. On export controls, the Swiss are signatories to all relevant multilateral regimes. They approach export control and non-proliferation in earnest, but have few resources dedicated towards intelligence and enforcement. Expanding the level of cooperation in these areas are among the Embassy's primary goals.

10.(U) Trade & Investment: Switzerland has the 16th largest economy in the world, is the 12th largest aid donor, the 4th largest financial center, and a major source of direct investment in the United States. The U.S. is Switzerland's second largest trading partner. Swiss economic officials initially approached the USG about pursuing a free trade agreement in 2005. Though USTR and the Embassy encouraged this movement, the Swiss Federal Council as a whole later balked at commencing talks, not wanting to fully open Switzerland's highly protected agriculture sector. Then USTR Rob Portman instead proposed the creation of a Trade & Investment Cooperation Forum to resolve more modest trade disagreements. The USG and Swiss governments also participate in a Joint Economic Commission (JEC) to review broad economic themes. This year's WEF will feature a JEC

BERN 00000029 003 OF 003

panel including USTR Schwab, FedEx CEO Smith, Swiss Economics Minister Leuthard, and Nestle CEO Brabeck.

Political System: How the Swiss Make Decisions

11.(SBU) Switzerland boasts one of the world's most federalized political systems; considerable authority still rests with individual communities and the 26 cantons (states). The constitution of 1848 was based on the American constitution, with a part-time bicameral legislature and only limited competencies assigned to the central government. The seven-member Federal Council (cabinet) is the executive authority. The presidency is largely ceremonial and rotates among the federal councilors for one-year terms. All four major parties -- ranging from the left-wing Social Democrats to the right-populist Swiss Peoples Party -- have at least one seat on the Federal Council, meaning that decisions are necessarily by consensus. Government decisions can be challenged by popular referendum. The dispersal of power throughout the political system has served as both a guarantor of personal liberty and a brake on political change, for good or ill.

12.(SBU) Justice/Police Minister Christoph Blocher and Defense/Homeland Protection Minister Samuel Schmid are both from the right-populist Swiss Peoples Party, though they are often seen as political rivals. The two oversee internal and external intelligence services, respectively and each is pushing his subordinates to cooperate better. Minister of Economic Affairs Doris Leuthard is from the centrist

Christian Peoples Party, is generally pro-free-trade, and is the newest member of the Federal Council, having joined in July 2006. Finance Minister Hans-Rudolf Merz and Home Affairs Minister Pascale Couchepin are both from the centrist Liberal Party. Social Democrat Micheline Calmy-Rey is Minister of Foreign Affairs, is very pro-EU, and has often been critical of the United States. Under the influence of more sober DFA advisors, she has mellowed since beginning her tenure as Foreign Minister in 2003, and supports a greater Swiss peacekeeping presence abroad. Rounding up the Federal Council is relatively moderate Social Democrat Moritz Leuenberger in charge of the Environment, Transport, Energy, and Communications portfolio. Notwithstanding this division of responsibility, major decisions within all portfolios are reached by the Federal Council in its entirety, a factor adding to Switzerland's distinct political personality.

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